

Pukeatua School Report to the Board

For the Year ended 31 December 2024

PKF

21 May 2025

The Board of Trustees
Pukeatua School
2110 Arapuni Rd
PUKEATUA, 3880

Dear Board Members

Pukeatua School Board Report

We have recently completed the audit of your financial statements for the year ended 31 December 2024. I have attached our Board Report in connection with the audit. The Report incorporates the responses from your principal.

We would like to emphasize that our audit work involves the review of only those systems and controls in your organization upon which we rely on for audit purposes. Our examination may not have identified and should not be relied upon to identify all control weaknesses that exist.

We take this opportunity to thank the staff of Pukeatua School for the cooperation afforded to us during the course of the audit.

If we can be of further assistance, please advise.

Yours faithfully
PKF HAMILTON AUDIT LIMITED



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Director

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Encl: Board Report

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Overview

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EXECUTIVE SUMMARY

This report details the processes, findings, and recommendations from our audit of Pukeatua School (the "School") under International Standards on Auditing (NZ) and the terms of our engagement as set out in our audit engagement letter.

We would like to emphasize that our audit work involves the review of only those systems and controls in your organisation upon which we rely for audit purposes. Our examination may not have identified and should not be relied upon to identify all control weaknesses that exist.

Overall, we are satisfied that the School has presented its results for the year ended 31 December 2024 to a good level of compliance with applicable financial reporting standards, with no major adjustments made as a result of our audit and no significant unadjusted differences.

We would like to thank Dene Franklin, Wendy Jordan and the staff of Pukeatua School for their cooperation extended to PKF Hamilton Audit Ltd, during the course of the audit. We have received full and frank co-operation. There is nothing we wish to raise solely with the Board.

CONFIRMATION OF AUDIT INDEPENDENCE

In conducting our audit, we are required to comply with the independence requirements of the Code of Ethics issued by the Professional Standards Board of the New Zealand Institute of Chartered Accountants and External Reporting Board.

Our own internal policies and procedures are put in place to identify any threats to our independence and to appropriately deal with and, if relevant, mitigate those risks.

For the comfort of the Board, we note that the following processes assist in maintaining our independence:

- No other work is permitted to be undertaken by any other PKF office without the express approval of the audit engagement director.
- All services performed by any PKF office in New Zealand will be reported to the governing body.

We have not provided any non-audit services to the School. We confirm the independence of PKF Hamilton Audit Ltd and its staff in relation to your audit.

Key Financial Statement Audit Risks

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KEY FINANCIAL STATEMENT AUDIT RISKS

We have set out our findings below in areas we identified as significant risks. We request that you review these outcomes on the significant accounting and audit matters identified to ensure that there are no further residual considerations or matters that could impact these issues, that you concur with the resolution of the identified risks and that there are no additional issues you may be aware of that should be considered before finalisation of our audit report.

1. Locally Raised Funds

Identified Audit Risks	Planned audit response	Conclusion
Due to the nature of locally raised funds (often being cash), there is a risk of material misstatement around the completeness of locally raised funds income	Our audit procedures include discussions with the Presiding Member and Principal to assess the control environment around local funds. We completed Analytic procedures, including a margin analysis and test of detail to supporting documentation for significant amounts.	Based on the procedures above, no significant issues were noted.

2. Cyclical Maintenance Provision

Identified Audit Risks	Planned audit response	Conclusion
Cyclical Maintenance is an area of judgment and could lead to material misstatements in the financial statements. For schools to be able to calculate the appropriate cyclical maintenance provision, a 10-Year Property Plan (10YPP) needs to be prepared and/or reviewed by an expert.	We obtained and reviewed the school's 10YPP and cyclical maintenance plan and assessed whether the provision at the balance date is materially correct.	Based on the procedures above, we noted one weakness as disclosed in the Summary of Findings.

3. Management Override

Identified Audit Risks	Planned audit response	Conclusion
Management override of controls is a presumed fraud risk under the International Standards of Auditing (ISA). The risk of management overriding controls exists in all entities and is a mandatory significant risk to be addressed by auditors. Material misstatement of performance reports due to fraud often involves the manipulation of the financial reporting process by recording inappropriate or unauthorised journal entries, bias in accounting estimates, and the existence of significant transactions outside the normal course of business.	Our audit procedures include reviewing the monthly management accounts and journals during the year and after year-end to ensure there is no evidence of potential management override. Professional skepticism was maintained while undertaking audit procedures on subjective balances in the School's financial statement. Key processes were reviewed for control weaknesses.	Based on the procedures above, no significant issues were noted.

Communications with the Board of Trustees

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COMMUNICATIONS WITH THE BOARD OF TRUSTEES

Areas Considered	Audit Comments
Management Judgements & Estimates	Under International Standards on Auditing (NZ), we have a responsibility to ensure that you have been informed about the process used by the School in formulating particularly sensitive accounting estimates, assumptions, or valuation judgments. Overall, we note that the judgments and estimates by management in preparing the results for the year ended 31 December 2024 appear reasonable. The most significant areas of judgment, assumptions, and estimates applied by management related to: • Provision for Cyclical Maintenance and Cyclical Maintenance Expenses • Depreciation rates to ensure that fixed assets are written off over their estimated useful lives • Classification of leases between finance leases or operating leases • Recognition of grants to be consistent with the accounting policies We are not aware of any other sensitive accounting estimates, assumptions, or valuation judgments made by the School.
Matters Requiring Board input	We have placed reliance on the School's review and approval of the following matters: • Minutes of the Board meetings up to the date that we sign the audit report; • Implementation of such controls as is needed to ensure that financial statements are presented fairly; • Review and approval of management accounts; • Review and approval of 2024 and 2025 budget; • Notification of fraud; and • Review and approval of the financial statements.
Accounting Policies	Auditing standards require us to discuss the qualitative aspects of the School's accounting practices and financial reporting with you. There were no new accounting standards that had a significant effect on the School's financial statements for the year ending 31 December 2024.
Materiality and Adjusted / Unadjusted Differences	Materiality means, in the context of an audit, if financial information is omitted, misstated, or not disclosed, it can potentially affect the decisions of users of the financial statements. Materiality is used by auditors in making judgments on the amount of work to be performed, which balances require work, and for evaluating the financial report. Materiality is initially calculated at the planning stage and has an influence on the amount of work we do, as well as where we direct our audit efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.

Areas Considered	Audit Comments
	During our audit, we identified some material misstatements. It should be noted that the auditing standards do not require us to communicate misstatements that are considered "clearly trivial", and as such, if we identify such misstatements, we will not communicate these to you. We consider "clearly trivial" to be 5% or less of our planned materiality.
Going Concern	We have undertaken a review of Management's and those charged with governance assessment of the ability of the School to continue as a going concern for 12 months from the date of signing the audit report, and therefore whether the going concern basis for the preparation of the financial statements is appropriate. The assumption of going concern was concluded as appropriate given the School's funding sources and its operating budget for the following financial period.
Fraud	During the audit, no matters relating to fraud, concerning either employees or management, have come to our attention. It should be noted that our audit is not designed to detect fraud; however, should instances of fraud come to our attention, we will report them to you.
Non-Compliance with Laws and Regulations	We have made inquiries in relation to non-compliance with laws and regulations during the course of our audit. We have not become aware of any instances of non-compliance with laws and regulations which has materially impacted the financial position or performance of the School.
Probity, Waste, and Performance	We are required to consider whether any approved payments could be considered extravagant or wasteful or show a lack of probity or financial prudence. We did not identify any issues of concern with respect to probity, waste, and performance other than the matters raised in the summary of findings below.
Overall Result	Our audit work is complete. We have issued an unmodified audit report on the financial statements of the School for the year ended 31 December 2024. There were some weaknesses identified from our audit – refer to findings section below. To enable management to set priorities on their action plans, we have assessed our findings below. These findings and recommendations are discussed and agreed with the School's management and those charged with governance.

Audit Quality

AUDIT QUALITY

To enhance audit quality - PES-3 Equivalent to International Standard on Quality Management 1 (ISQM 1) (Effective on 15 Dec 2022) was introduced in New Zealand to change the system of quality control to a system of quality management.

These changes require PKF Hamilton Audit, which performs audits, reviews of financial statements, and undertakes other assurance engagements, and agreed-upon procedures engagements are required to design, implement, and operate a system of quality management using a risk-based approach.



HOW DO WE DELIVER QUALITY?

At PKF Hamilton Audit Limited, we recognize that confidence in our business communities is fundamental to New Zealand's prosperity. High-quality, independent audit services form the foundation of that confidence.

To uphold and continually enhance audit quality, the Directors of PKF Hamilton Audit Limited have adopted the following key strategies:

- **Ethical Standards:** We prioritize compliance with all ethical requirements in every aspect of our audit work, ensuring integrity and trustworthin ess.
  Client Engagement: We implement robust client acceptance and continuance procedures to ensure alignment between our strategic direction and the nature of our client relationships, whether new or ongoing.
  Quality Objectives: We set clear quality objectives and conduct thorough internal and external reviews of our audit methodology. Engaging external firms for quality reviews and consultation, we maintain adherence to current standards and deliver assurance services of the highest caliber.
- **Resource Optimization:** Through the effective use of technology and external resources, we allocate, manage, and deploy our audit teams efficiently to deliver timely and comprehensive engagements.
- **Clear Communication:** We emphasize transparent and effective communication with our clients and external stakeholders, fostering collaboration and mutual understanding.

These strategies reflect our unwavering commitment to providing high-quality audit services that support the growth and confidence of our business communities.

Summary of Findings

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SUMMARY OF FINDINGS

We highlight the following matters for the attention of the Board, together with recommendations for management to consider, to further strengthen the internal control environment of the School. These include any observations and recommendations arising from prior year audits that have not yet been satisfactorily resolved and any new matters identified during this financial audit that require the Board's attention.

Current Year Findings

Observation / Implication	Recommendation	Management Comments
Approval of Credit Card Statements (first raised in 2023) During the audit we noticed that the October credit card statements had not been approved by the Board Chair or Treasurer. It is important all monthly credit card statements are regularly approved on a one up basis to ensure the spending of government money is appropriate for the school.	We recommend the BOT Chair or Treasurer approves all employees of the school's credit card statements on a monthly basis and signs them off to show this has been performed.	Noted. Our process covers this, but we missed one.
Approval of the 2024 Cyclical Maintenance Calculation As part of our audit, the Office of the Auditor General requires us to assess the following for a cyclical maintenance plan prepared as part of a 10YPP. Whether it: • includes all property the Board needs to maintain; • identifies all maintenance projects relevant to each of the assets; • includes estimates of the costs of the work needed; • was prepared by, or reviewed by, a suitably qualified person in the last three years; and • is reviewed and approved every year by the Board. At the commencement of our audit, the School was using a cyclical maintenance plan prepared in 2017 which did not include all School buildings.	We recommend that the Board ensure the cyclical maintenance plan is reviewed annually and that the information presented appears reasonable and consistent with the Boards expectations. Additionally, given the plan was prepared in 2022, we recommend that in 2025 (as this will be outside the 3 year cycle) the School engage with a Ministry Approved Expert to review their cyclical maintenance calculation to ensure it remains appropriate.	Noted. Further investigation required by management.

Observation / Implication	Recommendation	Management Comments
As part of our audit, we identified that the 10YPP prepared in 2022 included a revised calculation which had not been applied. The effect of this journal can be seen in our 'Summary of Audit adjustments' section below.		
Nil Book Value Items (first raised in 2023) From our review of your Fixed Asset Register we noted several items that had a nil book value. It is important that assets with a nil book value are disposed of and taken off your Fixed Asset Register when no longer being used to ensure that the Fixed Asset Register only reflects those assets relating to the net book value balance in the financial statements or assets that are still in use.	We recommend that you review your Fixed Asset Register at least annually and dispose of all items with a nil book value as best practice.	Noted.
Annual Declaration It was observed that the school did not prepare an annual declaration for the 2024 year, although the expenses were approved by the board. Under section 4.8.5 of the Primary Principals Collective Agreement, Principals are required to make an annual declaration to the Board regarding their uptake and use of the Principal Wellbeing Fund.	While we acknowledge that the Principal Wellbeing Fund was a limited time provision to the School which is likely not to be repeated in future years. We recommend that the Board and Principal take care in familiarising themselves with the requirements of bespoke government funding when received by the School.	Noted. Principal was unaware this was required.

Observation / Implication	Recommendation	Management Comments
Reporting Under Education (School Planning and Reporting) Regulations As raised in the previous year, the New Zealand Government enacted a new reporting regulation back in June 26th, 2023. This regulation was effective commencing from August 1st, 2023. As this regulation was considered new in the 2023 financial year, the Ministry allowed the reports to be presented combined. However, as we raised in the previous year, the requirements are that the new reports have to be presented into three reports with individual headings: a Statement of Variance (previously named Analysis of Variance), an evaluation of the school's students' progress and achievement, and a report on how the school has given effect to Te Tiriti o Waitangi. We identified that the current year Statement of Variance and the Students' Progress and Achievement reports are still combined as one report. Please refer to this guidance for the requirement from MoE: https://www.education.govt.nz/school/schools-planning-and-reporting/school-annual-reports/ The MoE also provided template documents (it is not a requirement to follow these). The Ministry said the school could tailor this template to fit and deliver the required information. Refer to this link: Annual-Report-Template-Amended-Nov-2023.docx (live.com)	To ensure you are complying with Education Regulations, we recommend that the Board and School look into this guidance provided by MoE and ensure that the reporting going forward aligns with the new regulation.	Noted. Principal's reports will be in line with regulations going forward.

Observation / Implication	Recommendation	Management Comments
Segregation of duties of cash receipts During our audit, we identified that there were instances where the person who receipted in cash was also the staff member responsible for depositing the cash into the Schools bank account. While we did not identify any indication this process was done ineffectively, it is important that no single person has control over, or access to, all aspects of recording and control of school funds. Not only does this provide opportunity for abuse of the school funds but also puts a great responsibility and burden of trust on the person who has this control. The separation of key accounting responsibilities is a critical internal control in any system to prevent misappropriation of funds, error, or unrecorded transactions.	We appreciate that it may be difficult to segregate duties with a small team, but, with careful monitoring and oversight by management and the Board, this risk can be mitigated. We would therefore like to raise this to the Board's attention so they are aware of the risk.	Noted. Processes will be investigated further.

Prior Year Findings

Prior Year Observation/ Implication	Prior Year Recommendation	Current Year Observation
Approval of Credit Card Statements During this year audit we noticed that the July credit card statements had not been approved by the Board Chair or treasurer. It is important all monthly credit card statements are regularly approved on a one up basis to ensure the spending of government money is appropriate for the school.	We recommended that the BOT Chair or Treasurer approve all employees of the school's credit card statements on a monthly basis and sign them off to show this has been performed.	During the audit, we noticed that the October credit card statements had not been approved by the Board Chair or Treasurer. We have therefore raised this point again in the current year.
Edpay Authorised Users During the audit we noted that Santjie Stols is still listed as an authorised user on EdPay when she is not involved with the school. Due to authorised users having the ability to make changes on behalf of the school, only employees who have a direct responsibility in the school's payroll process should be authorised users.	We recommended that the school remove any EdPay authorised users who are not involved with the school.	During the audit we noted that Santjie Stols was removed as an authorised user. Therefore, we consider this matter resolved.
Nil Book Value Items From our review of your Fixed Asset Register we noted several items that had a nil book value. It is important that assets with a nil book value are disposed of and taken off your Fixed Asset Register to ensure that the Fixed Asset Register only reflects that asset relating to the net book value balance in the financial statements.	We recommended that the Board review your Fixed Asset Register at least annually and dispose of all items with a nil book value as best practice.	From our review of your Fixed Asset Register, we noted there were still several items that had a nil book value. We have therefore raised this point again in the current year.

Prior Year Observation/ Implication	Prior Year Recommendation	Current Year Observation
Cyclical Maintenance – Outdated Cost of Paintings We have noted that the school have not obtained a painting quote in the last four years. During that time painting cost have increased. By not regularly reviewing the cost to paint the school, the provision for cyclical maintenance could be materially understated.	We recommended that the Board obtain a revised painting cost and apply this to your cyclical maintenance provision.	During the current year, a revised painting quote which was prepared in 2022 by a Ministry Approved Expert was provided to the audit team the financial statements now reflect this newer plan. We were also provided a Carus painting quote obtained near the end of 2024. The difference between this quote and what has been provided for in the financial statements was not considered materially different. Therefore, we consider this matter resolved.
Time sheets/lack of supportive documentation for relievers The school was again unable to provide timesheets or other supportive documentation of the hours each reliever worked during the year. If no record is kept of the hours each reliever works, then there is no evidence that the hours each reliever has been paid for is correct.	We recommended that timesheets be recorded and approved by appropriate personnel for all hours worked by relievers going forward.	We did not identify any issues in regard to time sheets and supporting documentation for relievers in the current year.

Prior Year Observation/ Implication	Prior Year Recommendation	Current Year Observation
GST Accounted on Mileage Reimbursement We noted that the school has accounted GST in a transaction relating to mileage claim reimbursement. As per the IRD website, mileage reimbursement is exempt from GST. Although, this has not resulted in a material misstatement, it is important to comply with IRD rules.	We recommended that the school should ensure that any future mileage reimbursement is correctly accounted for exclusive of GST.	We did not identify any issues in regards to GST accounted on mileage reimbursements in the current year.
SUE Report not signed off by Board Member During the audit we noted that one of the fortnightly SUE Reports are not reviewed and signed off by a Board Member (independent of changes made). The Ministry of Education recommends that the reviewers should not be an authorised user of EdPay. It is important that the SUE Report is checked by a person who is not paid through the Edpay system to ensure that all employees are paid at a reasonable rate.	We recommended that the Board Chair reviews the fortnightly SUE Reports or delegates to another Board member to perform these reviews.	We did not identify any issues in regards to SUE reports not being signed off by a Board Member in the current year.
Lack of mileage claim supporting documentation During the relievers testing we noted that the school did not have any supporting documentation for the mileage reimbursement for one of the employees. Appropriate supporting documentation is important for tax reasons (including claiming GST) and to provide evidence that this was valid expenditure for the school.	We recommended that mileage reimbursement forms should be filled out by all staff (including relievers) to provide appropriate support to the person authorising the expenditure.	We did not identify any issues in regard to the lack of mileage claim supporting documentation in the current year.

Summary of Audit adjustments

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SUMMARY OF AUDIT ADJUSTMENTS

Summary of adjusted differences

Journal number	Description	Assets DR/(CR)	Liabilities DR/(CR)	Equity DR/(CR)	Income statement DR/(CR)
1	Dr Transport Expenses Cr Transport Grants Revenue *(Journal to gross up the Revenue and Expenditure from the Transport Cluster)*				**78,412** **(78,412)**
2	Dr Cyclical Maintenance Provision Current Dr Cyclical Maintenance (expense) Cr Cyclical Maintenance Provision Non-Current *(Journal to recognise the movement in cyclical maintenance from the 2017 plan to the 2022 plan as prepared by Education Services Limited after being identified by audit)*		11,018 (21,138)		**10,120**
3	Dr Teacher Salaries Grants Cr Banking Staffing Overuse *(Journal to correctly account for the Banking Staffing overuse position as at year end)*		(10,431)	-	**10,431**
	Total adjusted audit differences	**-**	**(20,551)**	**-**	**20,551**

SUMMARY OF AUDIT ADJUSTMENTS (CONTINUED)

Summary of unadjusted audit differences

Journal number	Description	Assets DR/(CR)	Liabilities DR/(CR)	Equity DR/(CR)	Income statement DR/(CR)
1	Dr Equity Cr Employee benefits Expense Cr Employee Entitlements *(Journal to account for the Bulk Grant accrual payable and to reverse the effects of not accruing the bulk grant in 2023)*	-	(4,834)	7,030	**(2,196)**
2	Dr Operational Grants Cr Revenue Received in Advance *(Journal to adjust for the Pay Equity 2023 Washup)*	-	(2,445)	-	**2,445**
3	Dr Cyclical Maintenance Expense Cr Cyclical Maintenance Provision *(Judgemental journal to recognise inflation adjustment to cyclical maintenance calculation based on forecasted inflation on cost)*	-	(4,163)	-	**4,163**
	Total unadjusted audit differences	**-**	**(11,442)**	**7,030**	**4,412**

Areas for Board and Management Focus

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AREAS FOR BOARD AND MANAGEMENT FOCUS

Our attention has been drawn to the following key topics relevant to all schools. These matters were raised by the Ministry of Education and/or the OAG during the 2024 financial year-end audit. Following this, we have received queries from several schools seeking guidance on these matters. To address these inquiries, we have included additional information and recommendations for each topic below. Although these areas are not currently subject to scrutiny in the 2024 financial year-end audit, they may be observed for further examination and monitoring in our subsequent audit endeavors.

1. Alcohol Purchases

Observation	Recommendations
Schools are reminded that the purchase of alcohol using public funds is generally not appropriate and should be avoided, in line with the principles on page 23 outlined in the Controlling sensitive expenditure: Guide for public organisations (https://oag.parliament.nz/2020/sensitive-expenditure/docs/sensitive-expenditure.pdf). Public sector organisations are held to high standards of integrity and transparency, and any expenditure must be clearly justifiable, reasonable, and support the organisation's purpose. Alcohol purchases are considered sensitive and, in most cases, do not meet the threshold of being a necessary or prudent use of public resources. Schools should ensure their policies and practices reflect these expectations and promote responsible stewardship of public funds.	We accept that schools are dynamic environments where it is appropriate at times to celebrate success, thank people for their efforts and engage with the Community. It is appropriate for schools to spend public funds on the above activities. The question is whether it is appropriate to purchase alcohol using public funds. After looking at schools over the past few years and considering public sentiment, we are of the view that it would be better not to purchase alcohol using public funds. We recommend that the board not use public funds for: - Purchase of alcohol as gifts. - Purchase of alcohol for functions. - Use of alcohol on school premises These issues are raised as a matter of good Governance and explore the issue of probity. It is unlikely to affect our audit opinion in most circumstances.

2. Board-funded works on MOE Property

Observation	Recommendations
The Board must have written consent from the Ministry to buy, lease or license land (section 160 of the Education and Training Act 2020) or build on either board-funded or Ministry Land (Section 161 of the Education and Training Act 2020). Section 161 gives the Secretary authority to specify terms and conditions applying to land and buildings occupied by the board. This requirement ensures that all work carried out aligns with property planning guidelines, complies with legal and health and safety obligations, and protects the Crown's interest in the property. Undertaking projects without Ministry approval may result in delays, additional costs, or the need for remedial work. Boards should engage with their Ministry Property Advisor early in the planning process to ensure the necessary approvals are obtained before proceeding.	We recommend that Boards remain cognisant of the requirement to obtain Ministry concurrence when planning board-funded building improvement or capital works projects on Ministry-owned property.

3. Professional Development and Wellbeing Fund

Observation	Recommendations
Ministry of Education (MoE) renewed all the principal collective agreements in 2023. The collective agreement was agreed upon on October 30th, 2023, and became effective on July 1st, 2023. As part of the new collective agreement, MoE provides a Professional Coaching and Wellbeing Support fund for the principal annually of $ 6,000. The payment was made to the school board and tagged for principals. We contacted our MoE representative in regard to this matter and confirmed the following essential information: a. The schools are not required to return the funds to MoE if they have not been spent during the year; therefore, from an accounting perspective, it should be recognised as revenue when received. b. From a management perspective, unspent funds during the year can be carried forward to the following year. c. Further guidance about what transaction the funds can be used for: Professional coaching and wellbeing support funding access – Education in New Zealand d. Sensitive expenditure rules are still applicable for this fund; therefore, we are not expecting this to be spent on a private holiday, sport/entertainment-related memberships, etc. Sensitive expenditure principles can be found here: https://oag.parliament.nz/2020/sensitive-expenditure/part2.htm	If the Principal Wellbeing Fund has not been fully utilised in 2024, we recommend that the Board and school remain mindful of the fund's intended purpose and ensure that any remaining balance is used in accordance with the established criteria.

4. Related Party Transactions

Observation	Recommendations
We would like to remind the Board of the importance of transparency and good governance when dealing with related party transactions, such as the purchase of goods or services from, or recruitment of, individuals or businesses with close personal or familial connections to Board members or staff. Education (School Boards) Regulation 2020 Section 15 requires the exclusion of board members who has a pecuniary interest in any matter from discussion and decision making relating to them. Any such transactions should be clearly declared and formally recorded in the Board minutes, preferably in committee to preserve confidentiality. It is also essential that any related individuals recuse themselves from all discussions and decisions related to the transaction to avoid any perceived or actual conflicts of interest. This practice supports integrity, accountability, and public trust in the school's governance processes.	We recommend that the Board continue to strengthen its procedures around related party transactions by ensuring all potential conflicts are declared, recorded appropriately in Board (or in-committee) minutes, and that any related individuals are excluded from discussions and decision-making processes. If not done already, formalizing this process in Board policies and annual conflict of interest declarations is also encouraged.

5. Changes to the Construction Contracts Act that could impact on school boards

Observation	Recommendations
The Construction Contracts (Retention Money) Amendment Act 2023 (2023 Amendment Act) introduced new requirements related to retention monies. The new requirements apply to all contracts entered into or renewed from 5 October 2023. This means that schools that hold retentions on construction projects will have to comply with the new requirements of the 2023 Amendment Act for any new contracts they have entered into, or any existing contracts that they have renewed since 5 October 2023.	If applicable, we recommend that the Board take steps to review any construction contracts entered into or renewed after 5 October 2023 to determine whether retention monies are being held in accordance with the amended requirements. Where applicable, the Board should establish a compliant process—such as creating a separate retention money trust account and implementing reporting procedures—to avoid any potential breach of

The 2023 Amendment Act makes the following changes: • Retention money must either be held in a separate bank account or secured through a suitable financial instrument, like insurance or a bond. • If schools hold retentions in a bank account, the account must be used exclusively for holding retention money. The school can choose to have individual accounts for each contractor's retention money or a single account for all contractors, but in the latter case, detailed accounting records must be maintained to show whose retentions are whose. Any interest earned in the account belongs to the school. • The school must provide certain information to the Contractor when taking a retention, and then at least every three months thereafter for as long as the retention is held. The required information includes the amount held, contract specifics, bank account information (if the retentions are held in a bank account), or financial instrument details. • The school can only use this money to address defects after providing The Contractor with a 10-working-day notice in writing to fix the issues. There are penalties for organisations that do not comply with the retention requirements: • a fine of up to $200,000 for failing to keep retention money as required, • a fine of up to $50,000 for failing to maintain proper accounting and records of retention money, and • a fine of up to $50,000 for failing to provide regular reports on retention money. The Ministry has provided guidance to schools about this change on its website. However, many boards might not be aware of the new requirements. If school boards do not comply with these requirements for relevant contracts (i.e. those dating from 5 October 2023) this is a breach of legislation.	legislation. We also recommend engaging with the Ministry's property team or legal advisors to ensure all obligations under the Act are fully understood and met.

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